

ORIGINAL



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ATTENTION DOCKET CONTROL

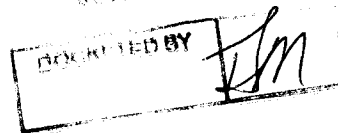
ATTACHED IS AN ORIGINAL AND 15 COPIES OF THE RESPONSE TO LIST OF  
DEFICIENCIES REGARDING  
RATE APPLICATION (DOCKET # W-02197A-13-0115)  
~~FINANCING APPLICATION (DOCKET # W-02197A-12-0410)~~

ALSO ATTACHED ARE 3 SETS OF ACCOMPANING SUPPORT DOCUMENTS  
PER REQUEST

*Docketed for the Company by Staff.  
D. Hladik*

Arizona Corporation Commission  
**DOCKETED**

JUN 19 2013



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AZ CORP COMMISSION  
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Executive Director

**ARIZONA CORPORATION COMMISSION**

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2013 MAY 28 P 4:03

May 28, 2013

**CERTIFIED MAIL**

Mr. Timothy Kylo  
Humboldt Water System  
PO Box 10593  
Sedona, Arizona 86339

RE: HUMBOLDT WATER SYSTEMS, INC. – APPLICATION FOR A RATE INCREASE  
DOCKET NO. W-02197A-13-0115

**LETTER OF INSUFFICIENCY**

Dear Mr. Kylo:

This letter (per section R14-2-103.B.7 of the Arizona Administrative Code) is to inform you that your application, received on April 26, 2013; did not meet the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103. Staff has found a number of deficiencies with the application which are listed on a separate attachment. The 30-day sufficiency determination period will begin anew when the Company corrects the deficiencies and Docket Control receives the original and 15 copies of the corrected pages.

You have 15 calendar days, or until June 13, 2013, to correct the deficiencies, or make other arrangements with Staff to remedy your rate application. If corrections or other arrangements are not made by that date, Staff will request that the docket number be administratively closed. Docket Control will retain one copy of the original application for Commission records. You may file an original and 15 copies of an updated application at a later date.

The Staff person assigned to your application is Brendan Aladi. He can be reached at (602) 542-0785, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "James Armstrong".

James Armstrong  
Chief Accountant  
Financial & Regulatory Analysis Section  
Utilities Division

CC: Docket Control Center (fifteen copies)  
Connie Walczak, Consumer Services  
Delbert Smith, Engineering  
Lyn Farmer, Hearing Division

**Humboldt Water System**  
Rate Application (Docket No. W-02197A-13-0115)  
Financing Application (Docket No. W-02197A-12-0410)  
For the test year ended October 31, 2012

List of Deficiencies

1. The bill count for the test year generates a different amount of revenue than that shown on page 19 of the application. Please reconcile.
2. The bill count annual summary pages for the active meters in the application are missing. Please complete and file.
3. Page 6 of the application, total annual operating revenues, if the Company is granted the rate adjustment, will be \$173,492 not \$1172,550.
4. Page 14, plant summary schedule, total plant additions and retirements do not match total plant additions and retirement on page 13. Please correct the Schedules.
- ✓ 5. The Company provided plant invoices, organized by year and not by account number. Please arrange the plant invoices by year and account number.
6. Page 20, calculation of Depreciation expense, depreciation percentages used in the calculations are not the rates approved in the prior rate case. Please use 5 percent rate in calculating the depreciation expense.

Treat the following as data request items: Please provide;

1. Copies of certified operator fee invoices for the test year.
2. Name and ADEQ certification information of the Company's current certified operator.
3. An updated and/or corrected water system schematic that reflects system components and current operation (see attached).
4. On the attached water schematic the number of customers served within each pressure zone (if multiple zones served by the water system).
5. Information which explains the significant increase in water testing expenses during the test year compared to prior years.
6. Information which describes the action(s) the Company has taken or plans to take to address the deficiencies identified in the following ADEQ documents: Drinking Water Compliance Status Report (dated October 12, 2012); Inspection Report

(issued May 3, 2012); Notice of Violation (dated July 23, 2012); Missed Notice of Violation Deadline (dated August 30, 2012); and, Consent Order in Docket No. DW-41-12 (filed December 17, 2012).

7. The current status of the Company's compliance with the ADEQ Consent Order in Docket No. DW-41-12 (filed December 17, 2012).
8. An explanation why the Company believes non-account water (lost water) exceeded 10 percent calculated using the water use data reported in the Company's Annual Reports filed with the Commission for calendar years 2006, 2008, 2009 and 2010.

Item #1 list of Deficiencies:

"The bill count for the test year generates a different amount of revenue than that shown on page 19 of the application. Please reconcile."

Month	Net Billed no Tax	Deposited	sales tax	Net Deposit
Oct-11	\$ 10,437.35	\$ 12,127.94	\$ 943.58	\$ 11,184.36
Nov-11	\$ 9,914.95	\$ 9,461.07	\$ 994.24	\$ 8,466.83
Dec-11	\$ 9,652.14	\$ 11,339.33	\$ 807.17	\$ 10,532.16
Jan-12	\$ 9,791.33	\$ 10,701.39	\$ 928.20	\$ 9,773.19
Feb-12	\$ 10,632.88	\$ 11,231.35	\$ 903.28	\$ 10,328.07
Mar-12	\$ 9,894.33	\$ 10,307.94	\$ 895.18	\$ 9,412.76
Apr-12	\$ 10,441.78	\$ 11,715.62	\$ 836.64	\$ 10,878.98
May-12	\$ 10,883.95	\$ 12,377.67	\$ 1,072.71	\$ 11,304.96
Jun-12	\$ 12,324.90	\$ 14,130.09	\$ 1,047.95	\$ 13,082.14
Jul-12	\$ 12,183.13	\$ 12,860.97	\$ 1,175.11	\$ 11,685.86
Aug-12	\$ 12,395.05	\$ 11,842.09	\$ 1,091.18	\$ 10,750.91
Sep-12	\$ 11,864.24	\$ 11,377.01	\$ 980.64	\$ 10,396.37
<b>TOTAL</b>	<b>\$ 130,416.03</b>	<b>\$ 139,472.47</b>	<b>\$ 11,675.88</b>	<b>\$ 127,796.59</b>

*For Item # 1 on the list of Deficiencies the difference between the bill count calculation and the reported revenue reported on pg 19 is the difference between cash basis deposits and amounts billed. The difference of \$1,784 is represented by past due payments , and bad debt.*

[illegible]

Bill Count Humboldt Water Systems Test Year ending 10/31/2012										3/4 Inch Meters				Annual			
Gallons Range	Nov-11	Dec-11	Jan-12	1st Qtr	Feb-12	Mar-12	Apr-12	2nd Qtr	May-12	Jun-12	Jul-12	3rd Qtr	Aug-12	Sep-12	Oct-12	4th Qtr	Annual
0	6	7	8	21	9	11	7	27	8	6	5	19	5	4	4	13	80
1 to 1,000	12	18	11	41	11	13	14	38	11	14	12	37	13	12	11	36	152
1,001 to 2,000	9	13	16	38	23	17	15	55	16	9	14	39	9	11	14	34	166
2,001 to 3,000	18	16	22	56	23	32	20	75	24	15	11	50	12	17	12	41	222
3,001 to 4,000	19	20	18	57	16	15	18	49	15	17	17	49	13	20	14	47	202
4,001 to 5,000	20	12	12	44	18	14	16	48	17	14	15	46	18	16	17	51	189
5,001 to 6,000	8	13	15	36	9	7	9	25	5	10	11	26	13	10	14	37	124
6,001 to 7,000	10	7	11	28	3	4	3	10	9	8	9	26	10	7	7	24	88
7,001 to 8,000	7	4	0	11	3	2	4	9	5	4	5	14	7	6	5	18	52
8,001 to 9,000	3	2	3	8	1	0	1	2	4	6	2	12	3	3	7	13	35
9,001 to 10,000	1	2	0	3	0	3	2	5	2	4	5	11	4	1	2	7	26
10,001 to 12,000	1	2	0	3	3	1	3	7	2	4	5	11	8	7	3	18	39
12,001 to 14,000	2	2	1	5	1	1	1	3	1	4	3	8	2	2	4	8	24
14,001 to 16,000	0	0	0	0	0	0	0	0	1	1	6	8	1	1	2	4	12
16,001 to 18,000	0	1	2	3	0	0	0	0	0	4	1	5	1	1	2	4	4
18,001 to 20,000	0	1	0	1	0	0	0	0	0	0	0	0	1	1	1	3	10
20,001 to 25,000	3	1	0	4	0	1	1	2	1	2	0	3	1	0	0	1	4
25,001 to 30,000	0	1	1	2	0	0	0	0	0	0	0	0	0	1	1	2	7
30,001 to 40,000	2		1	3	1	1	0	2	0	0	0	0	0	1	1	1	1
40,001 to 50,000	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	2	2
50,001 to 60,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
60,001 to 70,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
70,001 to 80,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
80,001 to 90,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
90,001 to 100,000	0	0	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0
over 100,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total bills	121	122	121	364	121	123	114	358	121	122	121	364	122	123	121	366	1452

Bill Count Humboldt Water Systems Test Year ending 10/31/2012																	
Gallionage Range	Nov-11	Dec-11	Jan-12	1 inch meters												Annual	
				1st Qtr	Feb-12	Mar-12	Apr-12	2nd Qtr	May-12	Jun-12	Jul-12	3rd Qtr	Aug-12	Sep-12	Oct-12		4th Qtr
0		1		1					0							0	1
1 to 1,000				0					0							0	0
1,001 to 2,000				0					0							0	0
2,001 to 3,000				0					0							0	0
3,001 to 4,000				0					0							0	0
4,001 to 5,000				0					0							0	0
5,001 to 6,000				0					0							0	0
6,001 to 7,000				0					0							0	0
7,001 to 8,000				0					0							0	0
8,001 to 9,000				0					0							0	0
9,001 to 10,000				0					0							0	0
10,001 to 12,000			1	1	1		2	3								1	5
12,001 to 14,000				0		1		1	1							1	3
14,001 to 16,000				0				0								0	0
16,001 to 18,000			1	1				0				1				1	3
18,001 to 20,000				0				0			2					0	2
20,001 to 25,000	1	1		2	1			1	1						2		6
25,001 to 30,000				0				0								1	1
30,001 to 40,000	1			1		1		1								0	2
40,001 to 50,000				0				0								0	0
50,001 to 60,000				0				0								0	0
60,001 to 70,000				0				0								0	0
70,001 to 80,000				0				0								0	0
80,001 to 90,000				0				0								0	0
90,001 to 100,000				0				0								0	0
over 100,000				0				0				1	1			0	1
Total bills	2	2	2	6	2	2	2	6	2	2	2	6	2	2	2	6	24
107,220																	

Bill Count Humboldt Water Systems Test Year ending 10/31/2012										1 1/2 inch meters							
Gallons Range	Nov-11	Dec-11	Jan-12	1st Qtr	Feb-12	Mar-12	Apr-12	2nd Qtr	May-12	Jun-12	Jul-12	3rd Qtr	Aug-12	Sep-12	Oct-12	4th Qtr	Annual
0				0				0				0				0	0
1 to 1,000				0				0				0	1			1	1
1,001 to 2,000			1	1				0	1			2				0	3
2,001 to 3,000	1	1		2	1	1	1	3		1		1				0	6
3,001 to 4,000				0				0				0		1	1	2	2
4,001 to 5,000				0				0				0				0	0
5,001 to 6,000				0				0				0				0	0
6,001 to 7,000				0				0				0				0	0
7,001 to 8,000				0				0				0				0	0
8,001 to 9,000				0				0				0				0	0
9,001 to 10,000				0				0				0				0	0
10,001 to 12,000				0				0				0				0	0
12,001 to 14,000				0				0				0				0	0
14,001 to 16,000				0				0				0				0	0
16,001 to 18,000				0				0				0				0	0
18,001 to 20,000				0				0				0				0	0
20,001 to 25,000				0				0				0				0	0
25,001 to 30,000				0				0				0				0	0
30,001 to 40,000				0				0				0				0	0
40,001 to 50,000				0				0				0				0	0
50,001 to 60,000				0				0				0				0	0
60,001 to 70,000				0				0				0				0	0
70,001 to 80,000				0				0				0				0	0
80,001 to 90,000				0				0				0				0	0
90,001 to 100,000				0				0				0				0	0
over 100,000				0				0				0				0	0
Total bills	1	1	1	3	1	1	1	3	1	1	1	3	1	1	1	3	12

Bill Count Humboldt Water Systems Test Year ending 10/31/2012													2 inch meters				
Gallons Range	Nov-11	Dec-11	Jan-12	1st Qtr	Feb-12	Mar-12	Apr-12	2nd Qtr	May-12	Jun-12	Jul-12	3rd Qtr	Aug-12	Sep-12	Oct-12	4th Qtr	Annual
0	1	1	1	3	1	1	1	3	1	1	1	3					11
1 to 1,000		1		1				0			1	1	1				3
1,001 to 2,000			1	1				0				0	1				2
2,001 to 3,000				0		1	1	2				0		1			4
3,001 to 4,000	1			1	1			1	1	1		2		1	1	2	4
4,001 to 5,000				0				0				0				0	0
5,001 to 6,000				0				0				0				0	0
6,001 to 7,000				0				0				0				0	0
7,001 to 8,000				0				0				0				0	0
8,001 to 9,000				0				0				0				0	0
9,001 to 10,000				0				0				0				0	0
10,001 to 12,000				0				0				0				0	0
12,001 to 14,000			1	1				0				0				0	1
14,001 to 16,000				0				0				0				0	0
16,001 to 18,000				0				0				0				0	0
18,001 to 20,000				0	1	1		2				0				0	2
20,001 to 25,000				0		1	2	3				0				0	3
25,001 to 30,000				0				0	1			1	1			1	2
30,001 to 40,000	1	1		2				0	1	2	1	4	1		1	2	8
40,001 to 50,000	1			1				0			1	1		2	1	3	5
50,001 to 60,000				0	1			1				0				0	1
60,001 to 70,000				0				0				0				0	0
70,001 to 80,000			1	1				0				0				0	1
80,001 to 90,000				0				0				0				0	0
90,001 to 100,000		1		1				0				0				0	1
over 100,000				0				0				0				0	0
Total bills	4	4	4	12	4	4	4	12	4	4	4	12	4	4	4	12	48

## STATEMENTS IN SUPPORT OF RATE REQUEST

Complete the following statements in support of your rate request.

**Humboldt Water Systems, Inc.** (the "Company") requests an adjustment in the existing rates charged by the Company. The information contained in this application is based upon a twelve-month Test Year ending 10/31/2012. The Company had total operating revenues of \$ 128,942, served 320 metered and 0 un-metered customers, and sold 21,889,000 gallons of water during the Test Year.

The Company is requesting an increase in revenues in the amount of \$ 44,550.

Total annual operating revenues, if the Company is granted the rate adjustment, will be \$173,492.

The Company is current on all property taxes. ☒ YES ☐ NO

The Company is current on all sales taxes. ☒ YES ☐ NO  
(Please see checklist item 2 on page 1.)

The Company currently has a Curtailment  
Plan Tariff on file with the Commission ☒ YES ☐ NO

The Company currently has a Backflow Prevention  
Tariff on file with the Commission. ☒ YES ☐ NO

The Company notified its customers of its application for a rate adjustment on \_\_\_\_\_(mm/dd/yy). **A COPY OF THE NOTICE WITH A NOTARIZED COVER LETTER STATING THE METHOD OF CUSTOMER NOTIFICATION, AS WELL AS THE DATE OF THE NOTIFICATION, MUST BE ATTACHED. (See page 33)**

By completing this application in support of the Company's request for a rate adjustment, the Company realizes that Original Cost Less Depreciation ("OCLD") plant information will be used to determine the fair value rate base, i.e., the Company waives the right to Reconstruction Cost New.

Company Name: Humboldt Water Systems Inc.	Test Year Ended: 10/31/2012
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**COMPARATIVE STATEMENT OF INCOME AND EXPENSE**

Acct. No.	OPERATING REVENUES	PRIOR YEAR	TEST YEAR
461	Metered Water Revenue	\$128,755	\$127,797
460	Unmetered Water Revenue	0	0
474	Other Water Revenues	1,153	1,145
	<b>TOTAL OPERATING REVENUES</b>	\$129,908	\$ 128,942 *
	<b>OPERATING EXPENSES</b>		
601	Salaries and Wages (See page 1, item 4)	\$N/A	\$N/A
610	Purchased Water (See page 1, item 5)	0	0
615	Purchased Power (See page 1, item 6)	13,860	14,883
618	Chemicals	2,520	2,750
620	Repairs and Maintenance (See page 1, item 7)	11,842	23,009
621	Office Supplies and Expense	0	0
630	Outside Services (See page 1, item 8)	87,355	60,958
635	Water Testing (See page 1, item 9)	2,615	4,437
641	Rents		
650	Transportation Expenses		
657	Insurance – General Liability	2,900	2,900
659	Insurance – Health and Life		
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense		
403	Depreciation Expense (From page 20)	13,166	25,823
408	Taxes Other Than Income		
408.11	Property Taxes (See page 1, item 10)	5,346	5,846
409	Income Tax		
	<b>TOTAL OPERATING EXPENSES</b>	\$139,604	\$140,606
	<b>OPERATING INCOME/(LOSS)</b>	<b>\$(9,696)</b>	<b>\$(11,664)</b>
	<b>OTHER INCOME/(EXPENSE)</b>		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	1,335	1,215
	<b>TOTAL OTHER INCOME/(EXPENSE)</b>	<b>\$(1,335)</b>	<b>\$(1,215)</b>
	<b>NET INCOME/(LOSS)</b>	<b>\$(11,031)</b>	<b>\$(12,879)</b>

*Note: Do not include sales tax in revenue or expense. Please refer to the checklist on page 1 for the required attachments related to this schedule.*

*\* This number must be identical to the number entered on page 6 "total operating revenues."*

*Estimated rate case expense \$6,500 Not in this expense statement*

Company Name: Humboldt Water Systems Inc.	Test Year Ended: 10/31/2012
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**UTILITY PLANT IN SERVICE**

Acct No.	Description	Original Cost	Accumulated Depreciation	OCLD
		<i>Column A</i>	<i>Column B</i>	<i>Column C**</i>
301	Organization	2,378	0	2,378
302	Franchises			
303	Land & Land Rights	6,050	N/A	6,050
304	Structures & Improvements	10,041	4,346	5,695
307	Wells & Springs	14,158	7,072	7,086
311	Pumping Equipment	54,440	54,012	11,792
320	Water Treatment Equipment			
320.1	Water Treatment Plants			
320.2	Solution Chemical Feeders	2,087	1,565	522
330	Distribution Reservoirs & Standpipes			
330.1	Storage Tanks	26,500	12,354	14,146
330.2	Pressure Tanks			
331	Transmission & Distrib. Mains	170,246	97,158	86,188
333	Services	123,739	52,046	81,533
334	Meters & Meter Installations	36,235	29,349	520
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant & Misc. Equipment	79,092	7,830	71,262
340	Office Furniture & Equipment			
340.1	Computers & Software			
341	Transportation Equipment			
343	Tools, Shop & Garage Equip.			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	<b>TOTAL WATER PLANT</b>	<b>*524,966</b>	<b>265,732</b>	<b>287,172</b>

*\* Must be the same as the amount reported on page 21*

*\*\*Column C = Column A - Column B*

Company Name:  
Humboldt Water Systems Inc.

Test Year Ended: 10/31/2012

**Plant Summary**

Acct. No.	Description	Plant in Service Per Prior Decision	Total Additions	Total Retirements	Test Year End Total
		<i>Column A</i>	<i>Column B</i>	<i>Column C</i>	<i>Column D*</i>
301	Organization	2,378	0	0	2,378
302	Franchises	0	0	0	0
303	Land & Land Rights	0	6,050	0	6,050
304	Structures & Improvements	1,671	8,370	0	10,041
307	Wells & Springs	14,158	0	0	14,158
311	Pumping Equipment	42,841	11,599	0	54,440
320	Water Treatment Equipment				
320.1	Water Treatment Plants				
320.2	Solution Chemical Feeders	2,087	0	0	2,087
330	Distribution Reservoirs & Standpipes				
330.1	Storage Tanks	21,443	26,500	21,443	26,500
330.2	Pressure Tanks				
331	Transmission & Distrib. Mains	67,411	102,835		170,246
333	Services	22,571	101,168		123,739
334	Meters & Meter Installations	16,568	19,667		36,235
335	Hydrants				
336	Backflow Prevention Devices				
339	Other Plant & Misc. Equipment		79,092		79,092
340	Office Furniture & Equipment	1,048		1,048	0
340.1	Computers & Software				
341	Transportation Equipment	4,936		4,936	0
343	Tools, Shop & Garage Equip.	2,144		2,144	0
344	Laboratory Equipment				
345	Power Operated Equipment	3,115		3,115	0
346	Communication Equipment				
347	Miscellaneous Equipment				
348	Other Tangible Plant	2,100		2,100	0
	<b>TOTAL WATER PLANT</b>	<b>204,471</b>	<b>355,281</b>	<b>34,786</b>	<b>524,966</b>

*Note: Please refer to the checklist on page 1 for the required attachments related to this schedule*

*\* Column D = Column A + Column B - Column C*

Company Name:  
Humboldt Water Systems Inc.

Test Year Ended: 10/31/2012

### CALCULATION OF DEPRECIATION EXPENSE

Acct. No..	Description	Original Cost	Depreciation Percentage	Depreciation Expense
		<i>Column A</i>	<i>Column B</i>	<i>Column C*</i>
301	Organization	2,378	0	0
302	Franchises			
303	Land & Land Rights	6,050	N/A	
304	Structures & Improvements	10,041	5%	502
307	Wells & Springs	14,158	5%	707
311	Pumping Equipment	54,440	5%	2,722
320	Water Treatment Equipment			
320.1	Water Treatment Plants			
320.2	Solution Chemical Feeders	2,087	5%	104
330	Distribution Reservoirs & Standpipes			
330.1	Storage Tanks	26,500	5%	1,325
330.2	Pressure Tanks			
331	Transmission & Distrib. Mains	170,246	5%	8,512
333	Services	123,739	5%	6,186
334	Meters & Meter Installations	36,235	5%	1,811
335	Hydrants			
336	Backflow Prevention Devices			
339	Solar Generating Plant	79,092	5.0%	3,954
340	Office Furniture & Equipment			
340.1	Computers & Software			
341	Transportation Equipment			
343	Tools, Shop & Garage Equip.			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	<b>TOTAL WATER PLANT</b>	<b>524,966</b>		<b>25,823</b>

**Note: Use Test Year ending balances for column 1, and approved depreciation rates from the prior rate case in column 2.**

**\* Column C = Column A x Column B**